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Weekly Contributions 32-50

8 August 1950

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CURRENT DEVELOPMENTS

GENERAL: Deterioration of relations between Brazil and Argentina has resulted from recent attacks by Peronista newspapers against President Dutra and the Brazilian government (p. 2).

CENTRAL AREA: Brazil's Communists have published as a manifesto the most violent and clearcut statement of Communist aims thus far published in that country (p. 2). The split in Ecuador's Liberal-Radical party will add to the government's instability (p. 2).

SPECIAL SUBJECTS

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1. GENERAL: Relations Between Brazil and Argentina Deteriorating

A recent series of attacks by the Peronista papers in Argentina against President Dutra and the Brazilian government has resulted in a definite deterioration in relations between those countries to the detriment to US interests in hemisphere solidarity. Simultaneously with the attacks on Dutra, those papers espoused the candidacy of ex-dictator Getúlio Vargas in the October elections in Brazil. It appears almost certain that Vargas' candidacy will suffer as a result of this apparent "coalition" between Perón and Vargas. Any benefit that might accrue to Perón as the result of this move is not clear, however. Vargas is perhaps closer in his thinking to Perón than any other candidate, and there seems to be no advantage to Perón in injuring Vargas' chances. Further, there is no other candidate favorable to Perón whose chances would be enhanced by such a move. Thus, Perón seems needlessly to have created a tense situation from which he can expect no particular advantage, possibly because of an ill-considered use of an opportunity to attack Dutra.

2. BRAZIL: Increased Communist Propaganda Activity

The most violent and clearcut statement of the Communist aims thus far published in the Brazilian Communist press is contained in a 4 August manifesto, reportedly signed by the Communist leader Luis Carlos Prestes. This manifesto urges a "democratic front for national liberation" and aims at the establishment of a "revolutionary" government; the prohibition of the atom bomb; denunciation of the Rio Treaty and other similar treaties; confiscation and immediate nationalization of all enterprises of the "imperialistic" powers and the repudiation of the Brazilian foreign debt; and the nationalization of all "monopolistic" industrial and commercial enterprises, with or without indemnification, "depending on the position of the owners regard the struggle against imperialism". Prestes reportedly added that the international and the internal situations were never more favorable for the success of such a movement and that violence of the masses was both inevitable and necessary. The purpose of such a manifesto, which also refers to Communist voting in the October general elections, undoubtedly is to spur the Communists and fellow travelers to more energetic opposition to any Brazilian aid to Korea, since the Communists apparently don't plan any immediate large-scale revolutionary movement. This manifesto may backfire on the Communists, however, by causing additional and more severe repressive measures by the government, including the closing of the Communist press, and the passage in Congress of the much debated National Security Act.

3. ECUADOR: Split in Liberal-Radical Party Will Add to Governmental Instability

The split in the Liberal-Radical Party, which became quite apparent during its national assembly in July, will further contribute to the instability of the government. The assembly served to accentuate and bring into the open the differences which have existed for some time

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between the party's right wing, which favors collaboration with the present government, and the currently predominant left wing, which advocates opposition to President Plaza and cooperation with the Socialist Party. From a long-range point of view, if the present administration should remain in power until the 1952 presidential elections, such a development could be regarded as favorable for Plaza's coalition party, since it is possible that it would eventually lead the dissident right wing liberals into the ranks of the MCDN. This slight note of optimism disappears almost completely, however, with the consideration that the party's more radical elements will now regard the overthrow of the government by force as the only possible means of assuming power in the near future. In order to achieve this end, it may be expected that they will cooperate more closely with the Socialists in supporting revolutionary activity by subversive army elements [] Wkly, 18 Jul 50).

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The Current Situation in Paraguay

(Summary -- The political situation has improved since the first of the year. The economic situation continues to be unfavorable. Military capabilities remain the same. Communists are an insignificant factor. Paraguay's relations with other countries are friendly.

-- US security interests are not affected by changes since the first of the year.)

Political

The political situation in Paraguay has improved since the first of the year. Although there are reports of political arrests and of disagreement between Brigadier General Alfredo Stroessner and Minister of the Interior Rigoberto Caballero, neither of these factors is believed to be of serious consequence at this time. President Chaves has continued to retain the support of the Democratic sector of the Colorado Party and of the military -- support which has made it possible for his administration to stay in power for a relatively long time in comparison with other administrations of the last two years. Although the support of the administration by the military is undoubtedly essential for political stability, the military are staying out of politics, and there have been no recent reports of their plotting. No instances of violence occurred when the state of siege was lifted to allow voting to take place on 16 July.

The inauguration of Chaves as president on 15 August is not expected to result in any great change in the government or its policies. For the immediate future, prospects are good for continued political stability. Even in the absence of disruptive elements in the present situation, however, the continued tenuousness of the administration can not be predicted for a longer period, as withdrawal of army support at any time could result in a change of government -- something that could very well occur, for example, should dissension appear in the Colorado Party, or should a serious disagreement develop between Commander in Chief Díaz de Vivar and the president.

Economic

The current economic situation in Paraguay is unfavorable. It is true that trade agreements with Yugoslavia, the Netherlands, and the Federal Republic of Germany have resulted in an exchange of goods, and there is an increase in foreign exchange holdings. Also, prospects for harvests of cotton, corn, and rice are good. Economic difficulties are being experienced, however. The increased issuance of paper money has had an inflationary effect. Commercial activity has suffered from depleted stocks caused by severe import restrictions, the rise in cost of production following the general wage increase granted in May, and price-

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fixing on some articles. The meat packing industry (one of the leading industries in Paraguay) may be forced to close because of a shortage of cattle. The general public is faced with steadily rising living costs.

The inauguration of a weekly commercial service by Braniff Airways from the US via Lima and La Paz to Asunción has improved transportation and communication facilities between the US and Paraguay, a development which favors US interests, but which has no significant effect on the generally unfavorable economic situation.

There are no prospects for improvement in the economic situation in the near future.

Military

There have been no reports indicating any significant changes in the morale, training, or capabilities of the army. The acquisition of two new planes does not materially alter the capabilities of the air force. Although the military could easily resume an active role in politics, there are at present no positive indications that they will do so.

Subversive

Communists continue to be of slight importance in Paraguayan affairs. Other subversive elements within parties not presently in power, have not been sufficiently strong or unified to overthrow the government. 25X1
believes that these forces do not constitute a serious threat at the present time.

International

Paraguay continues to be on friendly terms with its neighbors. Official relations with Uruguay are cordial, as evidenced by the establishment of a Paraguayan-Uruguayan cultural center, by President Batlle Berres' invitation to Chaves to visit Uruguay, and by improvement of the legation in Asunción, and the possibility of its being raised to an embassy. Relations with Argentina remain friendly (Peron has invited Chaves to visit Argentina). Recent visits of US citizens, especially that of Assistant Secretary of State Miller, pointed up the cooperation and friendly feeling existing between the US and Paraguay. A treaty of friendship, commerce, and economic development with the US is now under consideration by Paraguayan authorities.

Paraguay recognized Cambodia, Laos, Vietnam, and Indonesia on 5 April, and has authorized the opening of a consulate in Frankfurt, Germany. It deposited ratification of the charter of the OAS on 3 May, and has also ratified the International Telecommunications Convention of 1947, the International Telecommunications Union of 1949, and the Inter-American Radio Communications Agreement of 1949. Paraguay has approved decisions taken by the UN Security Council on Korea, and has offered assistance within limits of its resources.